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**COWBOY FACILITIES, INC.**  
**Lake Charles, Louisiana**

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**Annual Financial Report**  
**June 30, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **DEC 21 2011**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cowboy Facilities, Inc.  
Lake Charles, Louisiana

I have audited the accompanying statement of financial position of Cowboy Facilities, Inc., a nonprofit organization, as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Cowboy Facilities, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cowboy Facilities, Inc., as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 19, 2011 on my consideration of Cowboy Facilities, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



Lake Charles, Louisiana  
August 19, 2011

**Cowboy Facilities, Inc.**  
**Lake Charles, Louisiana**  
**Statement of Financial Position**  
**June 30, 2011**

**Assets**

<b>Current Restricted Assets (Construction and Revenue Bonds)</b>	
Cash	\$ 3,236,837
Total Current Assets	<u>3,236,837</u>
<b>Property, Plant and Equipment</b>	
Buildings and improvements	16,624,467
Land improvements	855,962
Furniture, fixtures and equipment	3,260,094
Accumulated depreciation	(6,992,079)
Total Property, Plant and Equipment	<u>13,748,444</u>
<b>Other Assets</b>	
Deferred financing costs	899,308
Total Other Assets	<u>899,308</u>
Total Assets	<u><u>\$ 17,884,589</u></u>

**Liabilities and Net Assets**

**Liabilities**

**Current Liabilities (payable from restricted assets)**

Current portion of revenue bonds payable (net of discount)	\$ 665,000
Accrued liabilities	171,896

Total Current Liabilities (payable from restricted assets)	<u>836,896</u>
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**Long Term Liabilities**

Revenue bonds payable (net of discount)	18,029,542
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Total Long Term Liabilities	<u>18,029,542</u>
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Total Liabilities	<u>18,866,438</u>
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**Net Assets**

Restricted for debt service and construction	2,399,941
Unrestricted	(3,381,790)

Total Net Assets (Deficit)	<u>(981,849)</u>
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Total Liabilities and Net Assets	<u><u>\$ 17,884,589</u></u>
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**Cowboy Facilities, Inc.**  
**Lake Charles, Louisiana**  
**Statement of Activities**  
**For The Year Ended June 30, 2011**

**Unrestricted Net Assets:**

**Revenues and Other Support:**

Rental income	\$ 3,463,442
Interest income	4
	<hr/>
Total Unrestricted Revenues and Other Support	3,463,446

**Expenses:**

Management expense	1,421,039
Depreciation expense	877,411
Amortization expense	55,434
Interest expense	1,049,867
	<hr/>
Total Operating Expenses	3,403,751

Increase (Decrease) in Unrestricted Net Assets	<hr/> 59,695
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Net Assets (Deficit)- Beginning of Period	<hr/> (1,041,544)
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Net Assets (Deficit) - End of Period	<hr/> <hr/> \$ (981,849)
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The accompanying notes are an integral part of this statement

**Cowboy Facilities, Inc.**  
**Lake Charles, Louisiana**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2011**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 59,695
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and amortization expense	932,845
Decrease in accrued interest payable	(511)
	<hr/>
Total Adjustments	932,334
	<hr/>
Net cash provided by (used in) operating activities	992,029
	<hr/>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal payments on bonds	(635,000)
Amortization of bond discount	15,938
	<hr/>
Net Cash (Used) by Financing Activities	(619,062)
	<hr/>
Net increase (decrease) in cash and cash equivalents	372,967
Cash and Cash Equivalents at Beginning of Year	2,863,870
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Cash and Cash Equivalents at End of Year	\$ 3,236,837
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<b>Supplemental Information</b>	
Cash paid for interest	\$ 1,034,440
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The accompanying notes are an integral part of this statement

**COWBOY FACILITIES, INC.**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 1 -Summary of Significant Accounting Policies**

The financial statements of Cowboy Facilities, Inc. (the Corporation) have been prepared on the accrual basis. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader.

Organization

Cowboy Facilities, Inc. is a Louisiana nonprofit corporation created exclusively to promote, assist, and benefit the educational, scientific, research, and public service mission of McNeese State University by engaging in any lawful activity in which a nonprofit corporation meeting the requirements of Section 501 (c)(3) of the Internal Revenue Code may participate. The Corporation has not applied for a determination letter from the Internal Revenue Service regarding its status as a 501 (c)(3) corporation.

The business affairs of the Corporation are administered by a five member Board of Directors, who also comprise the entire membership of the Corporation. The Board of Directors serve without compensation.

In accordance with its Articles of Incorporation, the Corporation may specifically engage in acquiring, constructing, developing, managing, leasing, mortgaging or conveying student housing and other facilities on the campus of the University.

The entity is a component unit of McNeese State University. A component unit is defined as a legally separate organization for which the primary government (McNeese State University) is financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**COWBOY FACILITIES, INC.**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Property and Equipment**

Property and equipment is stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$100,000. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	30
Furniture, fixtures and equipment	10 - 20

**Financial Statement Preparation**

The Corporation has adopted Financial Accounting Standards FASB ASC 958-210-45, formally (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under this standard, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows.

**Contributions**

The Corporation has also adopted FASB ASC 958-605-20, formally, SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

**Deferred Financing Costs**

The cost of issuing revenue bonds is deferred and amortized over the life of the bonds as a financing expense. In the event all remaining bonds outstanding under a particular issue are retired, the unamortized balance is recognized as a component of the loss from the early extinguishment of debt.

**Bond Discounts**

*Original issue discounts realized upon issuance of bonds are deferred and presented as a reduction of the face amount of bonds payable on the balance sheet. The deferred amount is amortized over the life of the bonds as a component of interest expense. In the event all remaining bonds outstanding under a particular issue are retired, the unamortized balance is recognized as a component of the loss from the early extinguishment of debt.*



**COWBOY FACILITIES, INC.**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 2 - Facilities Lease Agreement**

As of May, 2001, the Corporation entered into an agreement with the Board of Trustees on behalf of McNeese State University to lease to the Board the Facilities of the Corporation effective as of the date of completion of the construction. The Board agrees to pay the Base Rental semiannually, on each April 15 and October 15 during the term of the lease in an amount equal to the interest and principal due on the Revenue Bonds on the following May or November 1, as the case may be. In addition to the Base Rental, the Board agrees to pay as Additional Rental any and all expenses incurred by the Corporation, on behalf of the Board or University in the management, operation, ownership, and/or maintenance of the Facilities.

As of April, 2005, the Corporation entered into an agreement with the Board of Trustees on behalf of McNeese State University to lease to the Board the Facilities (Scoreboard Improvements). The Board agrees to pay the Rental semiannually, on each March 15 and September 15 during the term of the lease in an amount equal to the interest and principal due on the Series 2005 Bonds on the following October 1 or April 1, as the case may be. Also, annually on April 15 in each year commencing April 15, 2006, an amount equal to \$30,000 shall be deposited in the Reserve Fund. In addition to the Rental, the Board agrees to pay any and all expenses incurred by the Corporation, on behalf of the Board or University in the maintenance, operation, ownership, and/or maintenance of the Facilities.

**Note 3 - Long-Term Debt**

On May 31, 2001, Cowboy Facilities, Inc. entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing of the construction of student housing facilities on the campus of McNeese State University. Financing of the project is through the issuance of \$21,120,000 University Student Lease Revenue Bonds, Series 2001. The Bonds have yearly fixed rate of interest at an average yield of 5.399% and are due in varying installments through 2033. Proceeds from the Bond issuance are used to pay the costs of the project; fund a deposit to the reserve funds; to pay capitalized interest on the Bonds; and to pay costs of issuance of the Bonds.

On April 1, 2005, the Cowboy Facilities, Inc. entered into a loan agreement with the Calcasieu Parish Trust Authority to obtain financing of the construction of scoreboard improvements at various athletic locations on the campus of McNeese State University. Financing of the project is through the issuance of \$1,900,000 McNeese State University – Cowboy Facilities, Inc. Scoreboard Project Taxable Revenue Bonds. The Bonds have a yearly fixed rate of interest at 6.5% and are due in varying installments through 2015.

**COWBOY FACILITIES, INC.**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 3 -Long-Term Debt (continued)**

Scheduled sinking fund requirement on the long-term debt are as follows:

2012	\$ 665,000
2013	700,000
2014	730,000
2015	775,000
2016	555,000
Thereafter	<u>15,550,000</u>
Total long-term debt	<u>\$18,975,000</u>

Scheduled annual debt service:

Year	Principal	Interest
2012	\$ 665,000	\$ 1,001,965
2013	700,000	968,400
2014	730,000	932,500
2015	775,000	890,674
2016	555,000	846,206
2017-2021	3,255,000	3,757,950
2022-2026	4,220,000	2,807,177
2027-2031	5,460,000	1,576,313
2032-2033	<u>2,615,000</u>	<u>207,900</u>
	<u>\$18,975,000</u>	<u>\$12,989,085</u>

Series 2001 Revenue Bonds (net of discount) \$17,789,542

Series 2005 Taxable Revenue Bonds \$ 905,000

**COWBOY FACILITIES, INC.**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 4 – Cash and Cash Equivalents**

In accordance with GASB, cash equivalent money market accounts is not categorized as subject to credit risk as provided by GASB because the investment and/or cash equivalent is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. Also, the Corporation does not have a policy for custodial credit or interest rate risk.

**Note 5 – Fair Values of Financial Instruments**

The Corporation has a number of financial instruments, none of which is held for trading purposes. The Corporation estimates that the fair value of all financial instruments at June 30, 2011 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Corporation using available market information and appropriate valuation methodologies. The recorded values of cash and cash equivalents, and accrued liabilities approximate their fair values based on their short-term nature. The recorded values of bonds payable approximate their fair value, as interest rates approximate market rates.

**Note 6 – Subsequent Events**

The Corporation evaluated its June 30, 2011 financial statements for subsequent events through August 19, 2011, the date the financial statements were available to be issued. During 2011, McNeese State University will request the University of Louisiana System Board of Supervisors to enter into a land lease and facilities lease with Cowboy Facilities, Inc. (CFI). CFI plans to lease land from McNeese State University (MSU) to construct a parking garage on the MSU campus and then lease the facility back to the university for its students' use. The debt incurred to finance the construction will not exceed \$15 million. The debt will be financed by a \$75 student per semester self-assessed fee, which was approved by MSU students on April 13, 2011. If approved by the necessary governing authorities, it is projected the bonds will close December 2011.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Cowboy Facilities, Inc.  
Lake Charles, Louisiana

I have audited the financial statements of Cowboy Facilities, Inc., a nonprofit organization, as of and for the year ended June 30, 2011, and have issued our report thereon dated August 19, 2011. I conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, I considered the Cowboy Facility, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cowboy Facility, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Board of Directors  
Cowboy Facilities, Inc.

**Compliance**

As part of obtaining reasonable assurance about whether Cowboy Facilities, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

 , CPA

Lake Charles, Louisiana  
August 19, 2011

**COWBOY FACILITIES, INC.**  
**Lake Charles, Louisiana**  
**Schedule of Findings**  
**June 30, 2011**

**A. Summary of Independent Auditor's Results:**

1. *Unqualified opinion on the financial statements.*
2. Significant deficiencies or material weaknesses in internal control – Refer to B-1.
3. No instances of noncompliance noted.

**B. GAGAS Findings**

1. None.

**C. Prior Audit Findings**

1. None